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THE

*Market Administrator's*

# BULLETIN

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ISSUED FOR PRODUCERS WHO ARE NOT MEMBERS OF COOPERATIVE ASSOCIATIONS

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## 1966 MILK PRODUCTION DOWN

The Dairy Situation, Economic Research Service, USDA, November, 1966

The 3 billion decline in 1966 in milk production, largest since 1948, is associated with more favorable prices in alternative enterprises, (particularly livestock) from March 1965 through the early months of 1966, effects of the 5-year drought in Northeastern States and increasing opportunities for off-farm employment. High cattle prices encourage dairy farmers to cull their herds closely. When milk prices are low in relation to prices in other farm enterprises, or when off-farm opportunities are attractive, farmers tend to sell their milk herds and leave dairying. Many of these cows are sold for beef; most of the better milkers probably remain in dairy herds. The manufacturing milk-beef cattle price ratio, higher than a year earlier in first quarter 1965, turned downward in May 1965 and stayed under the 5-year average through May 1966. Improved milk prices relative to beef cattle prices since then indicate that cow culling this fall may moderate.

Milk prices rose sharply in 1966, and likely will average above a year-earlier in 1967. But, beef cattle prices also are high and are expected to continue strong in 1967. Nevertheless, the milk-beef cattle price ratio for 1967 may average above the .18 estimated for 1966, and the 1960-64 aver-

age of .16. In September the milk-beef price ratio was higher than any September since 1956.

From June 1965 to June 1966, milk cow numbers dropped about 6 percent and continued 5-6 percent below a year earlier through September. This is more than double the 2.4 percent annual downtrend in milk cow numbers which dates back to 1945. Improved prices for milk relative to other prices may result in lower culling rates compared with a year-earlier. For 1967, the decline in cow numbers may be closer to 3-4 percent. High cattle prices, continued off-farm job opportunities, and rising dairy production costs likely will keep culling above average levels. Moreover, the number of replacement heifers available appears small for a more substantial slowdown in the cow number decline.

Based on feed costs and wage rates, milk production costs continued to rise in 1966 and further rises appear likely for 1967. However, higher farm milk prices during 1967 likely again will more than offset added costs. The number of farms keeping milk cows is expected to decline in 1966 by about the 7 percent annual rate during 1959-64 but slower than the high rate in 1965. The continued decline is

caused by opportunities for off-farm employment and more favorable opportunities in alternative farm enterprises. Relatively large capital requirements for beginning dairy farmers restrict entry into dairying and in some areas shortages of dairy labor and high labor cost have contributed to the decline in dairy herds.

Milk production per cow for 1966 is expected to average at least 8,300 pounds, up about 3 percent from 1965 compared with the annual average 10-year gain of 3.3 percent. The indicated increase is above the 1965 gain of 173 pounds over 1964, and the 224 pounds 1956-65 average. Cumulative output per cow for the first 9 months of 1966 was 2 percent above a year earlier. Output was close to year-earlier levels in early 1966. Below-normal quality of feed apparently was involved in these low gains in output per cow. By September, output per cow had reached 5 percent above the September 1965 level.

In 1967, production per cow likely will gain more than the long-time 3.3 percent average annual gain. The high milk-feed ratio, generally good supplies of high quality forage and grain, and improved milk prices in 1967 could cause above-average gains in production per cow from a year earlier.





*Columbus*

**MARKET FACTS FOR EASY REFERENCE**

**PRICE SUMMARY**

|                                                                  |        |        |        |
|------------------------------------------------------------------|--------|--------|--------|
| Producers' Uniform Price (3.5%) .....                            | \$5.47 | \$5.73 | \$4.65 |
| Class I (3.5%) .....                                             | 5.89   | 5.89   | 5.00   |
| Class II (3.5%) .....                                            | 3.92   | 3.92   | 3.21   |
| Producer Butterfat Differential for each one-tenth percent ..... | 9.4¢   | 9.5¢   | 8.2¢   |

**UTILIZATION SUMMARY**

|                                                 |      |      |      |
|-------------------------------------------------|------|------|------|
| Percent of Producer Milk in Class I .....       | 82.3 | 84.7 | 82.8 |
| Percent of Producer Butterfat in Class I .....  | 73.6 | 77.1 | 75.1 |
| Percent of Producer Milk in Class II .....      | 17.7 | 15.3 | 17.2 |
| Percent of Producer Butterfat in Class II ..... | 26.4 | 22.9 | 24.9 |

**PRODUCER MILK RECEIPTS**

|                                            |             |             |             |
|--------------------------------------------|-------------|-------------|-------------|
| Total Pounds Producer Milk Delivered ..... | 45,760,876  | 43,534,202  | 46,243,721  |
| Average Daily Class I Producer Milk .....  | 1,476,157   | 1,404,329   | 1,491,733   |
| Total Number of Producers .....            | 1,551       | 1,500       | 1,602       |
| Average Daily Receipts per Producer .....  | 952         | 936         | 931         |
| Average Butterfat Test .....               | 3.89        | 3.90        | 3.87        |
| Total Value of Producer Milk at Test ..... | \$2,670,800 | \$2,571,173 | \$2,287,603 |
| Income per Producer (7 Day Average) .....  | \$388       | \$387       | \$322       |

**GROSS CLASS USE (Pounds)**

|                          |            |            |            |
|--------------------------|------------|------------|------------|
| Class I Skim .....       | 36,372,264 | 35,576,572 | 36,941,661 |
| Class I Butterfat .....  | 1,310,712  | 1,309,919  | 1,344,194  |
| Class I Milk .....       | 37,682,976 | 36,886,491 | 38,285,855 |
| Class II Skim .....      | 7,607,155  | 6,258,610  | 7,511,310  |
| Class II Butterfat ..... | 470,745    | 389,100    | 446,555    |
| Class II Milk .....      | 8,077,900  | 6,647,710  | 7,957,865  |

**AVERAGE DAILY SALES (Quarts)**

|                  |         |         |         |
|------------------|---------|---------|---------|
| Milk .....       | 429,023 | 426,620 | 452,593 |
| Buttermilk ..... | 5,602   | 5,410   | 5,827   |
| Chocolate .....  | 31,245  | 26,198  | 31,326  |
| Skim .....       | 12,230  | 11,318  | 13,481  |
| Cream .....      | 7,245   | 8,104   | 8,852   |



**COMPARATIVE STATISTICS**



**COLUMBUS MARKETING AREA**



**JAN., 1958 - '67**

| Year | Receipts From Producers | Average Butter-fat Test | Percentage of Producer Milk in Each Class |          |           |          | Uniform Producer Price (3.5%) | Class Prices at 3.5% |          |           |          | Number of Producers | Daily Average Production |
|------|-------------------------|-------------------------|-------------------------------------------|----------|-----------|----------|-------------------------------|----------------------|----------|-----------|----------|---------------------|--------------------------|
|      |                         |                         | Class I                                   | Class II | Class III | Class IV |                               | Class I              | Class II | Class III | Class IV |                     |                          |
| 1958 | 25,086,958              | 3.86                    | 84.9                                      | 7.3      | 2.9       | 4.9      | 4.28                          | 4.411                | 4.011    | 3.911     | 3.088    | 1,857               | 436                      |
| 1959 | 24,104,575              | 3.94                    | 83.2                                      | 7.5      | 1.6       | 4.2      | 4.34                          | 4.442                | 4.042    | 3.942     | 2.867    | 1,705               | 456                      |
| 1960 | 28,244,823              | 3.96                    | 86.7                                      | 6.3      | 2.1       | 8.4      | 4.46                          | 4.685                | 4.285    | 3.777     | 2.996    | 1,696               | 537                      |
| 1961 | 29,526,971              | 3.92                    | 81.1                                      | 6.7      | 1.7       | 10.5     | 4.49                          | 4.74                 | 4.34     | 4.017     | 3.096    | 1,497               | 636                      |
| 1962 | 33,597,270              | 3.97                    | 79.3                                      | 6.3      | 1.9       | 12.5     | 4.30                          | 4.517                | 4.117    | 3.892     | 3.266    | 1,329               | 815                      |
| 1963 | 35,845,288              | 3.97                    | 77.7                                      | 6.6      | 2.2       | 13.5     | 4.00                          | 4.22                 | 3.797    | 3.651     | 3.051    | 1,329               | 870                      |
| 1964 | 40,235,178              | 3.93                    | 78.9                                      | 6.8      | 1.8       | 12.5     | 4.28                          | 4.55                 | 4.12     | 3.76      | 3.08     | 1,357               | 956                      |
| 1965 | 46,850,062              | 3.88                    | 79.6                                      | 20.4     | —         | —        | 4.51                          | 4.92                 | 3.13     | —         | —        | 1,679               | 900                      |
| 1966 | 46,243,721              | 3.87                    | 82.8                                      | 17.2     | —         | —        | 4.65                          | 5.00                 | 3.21     | —         | —        | 1,602               | 931                      |
| 1967 | 45,760,876              | 3.89                    | 82.3                                      | 17.7     | —         | —        | 5.47                          | 5.89                 | 3.92     | —         | —        | 1,551               | 952                      |

## Feed Supplies and Prices For 1966-67 Season

The Feed Situation, Economic Research Service, USDA, January, 1967

Smaller feed supplies, accompanied by strong demand prospects, suggest increases in the prices dairy farmers will pay for feed during the remainder of 1966 and in 1967. Dairy ration cost during the first 9 months of 1966 increased 8 cents per hundredweight over year-earlier levels. Most of the increase occurred after July.

Based on October 1 crop estimates, feed grain supplies for the 1966-67 grain marketing year (October 1 to September 30) are estimated at 201 million tons, 7 percent below the 1965-66 levels. Smaller production, accompanied by a drop in carry-over stocks, reduced available supplies

for the 1966-67 feed year. Supplies per animal unit are down about 9 percent. Despite slightly increased supply of high protein feeds from 1965-66, continued strong demand will give strength to prices in 1966-67.

Since March the milk-feed price ratio has been a record high for the month. Despite rising feed prices, the milk-feed price ratio in 1966 likely will average about 1.53—the highest yearly average ever recorded in the U.S. and a substantial increase over 1965. This ratio indicated the pounds of concentrate ration that that one pound of whole milk sold by farmers will buy. The milk-feed price ratio likely will remain above 1.50 in

1967, even with some increases in feed prices.

Hay production for 1966 is estimated at 118.1 million tons, down 5 percent from 1965, but slightly above the 1960-64 average. Production of alfalfa and alfalfa mixtures is down about 4 percent from 1965. Farmers paid \$34.00 per ton for baled alfalfa hay in October—an increase of \$2.20 per ton from October 1965. Supplies per animal unit will average about 1.41 tons for the 1966-67 feeding season, which began May 1, a little above a year earlier because the number of animal units has declined. Although production was down, the quality of hay harvested was generally good.

## Price Support Operations At Low Level

The Dairy Situation, Economic Research Service, USDA, November, 1966

In recent years, USDA removed from the market substantial quantities of dairy products through price support purchases and payment-in-kind exports. Milk production has been below year-earlier levels since March 1965, while commercial sales and stocks have expanded, so government support operations have been sharply reduced. By the end of 1966, total products removed from the market through USDA programs (milk equivalent basis) likely will be less than a billion pounds. About 200 million pounds were removed through September compared with 5.7 billion in all of 1965. CCC remov-

als in 1967 are expected to be larger than in 1966 but below the 1961-65 high levels. USDA stocks are likely to continue as low levels.

Net USDA expenditures for price support and related programs (excluding the Special Milk program) in the year ending June 30, 1967, are expected to be larger than the \$54 million in 1965-66 because of moderately larger purchases and lower export sales.

No cheese and only a small amount of butter has been purchased since October 1965; the quantity of nonfat dry milk bought was substantially

lower than a year earlier. Combined nonfat dry milk delivered to USDA and PIK exports for 1966 through September was about one third of last years level. USDA removals of nonfat dry milk for all of 1966 will be less than half of the 1,098 million pounds removed in 1965.

From April 1, 1966, the beginning of the dairy marketing year, through October 28, USDA purchased only 942,000 pounds of bulk nonfat dry milk under open purchase offers at announced prices. However, USDA contracted for 203 million pounds of nonfat dry milk for delivery through December..



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## BULLETIN

*Administrators*  
*Market*  
THE

### Heat In Powdered Milk To Be Studied For USDA By Michigan State University

USDA, January, 1967

How the heat remaining in powdered milk after processing affects its quality will be studied under a research grant from the U.S. Department of Agriculture.

Agricultural engineers at Michigan State University will develop data under the 2-year contract for \$21,306 that should lead to reduced losses from quality deterioration caused by excessive heat.

If milk powders are not cooled immediately after they are made, the heat remaining in them can lower their quality, especially if they are handled in large bins, tanks, or containers. To find out how much heat the powders are subjected to under present cooling methods, the Michigan State University engineers will study both skim and whole milk powders cooled at various densities, moisture contents, and temperatures.

The engineers will also work out the principles for cooling milk powders effectively and efficiently. They will apply these principles to improve the cooling equipment now being used commercially, which was not specifically designed for milk powders, and to test a new laboratory-size cooling system.

## Market Quotations

JANUARY  
1967

|                                                                                                             |        |
|-------------------------------------------------------------------------------------------------------------|--------|
| MINNESOTA - WISCONSIN PRICE SERIES .....                                                                    | \$4.08 |
| Skim Milk Powder-Butter Price, 3.5% per Cwt. (Columbus) .....                                               | 3.92   |
| Average Price per lb. 92-score butter at Chicago .....                                                      | .6647  |
| Average carlot prices non-fat dry milk solids<br>roller and spray process, f.o.b. manufacturing plant ..... | .1957  |

## Government Stocks of Feed Grains Reach Lowest Level In Recent Years

The Feed Situation, Economic Research Service, USDA, November, 1966

The 43.0 million tons of feed grains carried over into 1966-67 included about 25.0 million tons of Government stocks and 18.0 million privately owned. The Government stocks were the smallest since 1954, both in total tonnage and as a percentage of the total carryover. They included about 14.5 million tons in CCC inventory and 10.4 million under the Reseal Program. Reseal stocks included about 2.8 million tons under loan from 1965 crops and 7.6 million from earlier crops. The 18 million tons outside the program is slightly above the previous high reached in 1943.

The October 1 carryover of corn totaled 866 million bushels—304 million less than a year earlier and

148 million bushels owned by CCC and 301 million bushels under loan. Most of the loan stocks are under the Reseal Program, although some of the 1965 corn is still in the process of being resealed or redeemed. The 417 million bushels of corn outside the Government Program was the largest in more than 30 years.

The bulk of the sorghum grain carryover on October 1 was owned by CCC or under loan. "Free" stocks totaled about 28 million bushels—only a little above "free" carryover of recent years. Only 32 percent of the July 1 carryover of oats was under loan or owned by CCC and less than 20 percent of the barley carryover.